THE SOCIAL SECURITY EARNINGS TEST AND OPTIONS FOR CHANGE

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PREFACE

Numerous bills have been introduced in the Congress to raise or eliminate the Social Security earnings test limit for people aged 65 through 69. At the request of the Subcommittee on Social Security of the Committee on Ways and Means, the Congressional Budget Office (CBO) prepared this paper examining who among those aged 65 through 69 are affected by the current earnings test and who would no longer be affected if the earnings test were liberalized or eliminated.

Roberton Williams of the Human Resources and Community Development Division wrote the paper under the direction of Nancy Gordon and Ralph Smith. Paul Cullinan of the Budget Analysis Division prepared estimates of budgetary effects. Roald Euller wrote the computer programs to tabulate extensive data. Paul Cullinan, Richard Kasten, and David Lindeman reviewed various drafts of the paper. Amanda Balestrieri edited the manuscript, and Ronald Moore prepared the paper for publication.

In accordance with CBO's mandate to provide objective analysis, the paper makes no recommendations. Questions should be directed to Roberton Williams of CBO's Human Resources and Community Development Division at (202) 226-2663.

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SUMMARY

This analysis examines two aspects of modifying the Social Security earnings test for people aged 65 through 69: the impact on beneficiaries currently affected by the earnings test of selected options for raising earnings limits, and the budgetary effects of those options. The paper does not consider other factors related to changing the earnings test, such as administrative cost savings from simplifying the test, or the labor supply response of beneficiaries--that is, whether they would choose to work more or less than they do under current law.

In 1988, the earnings test reduces payments to beneficiaries between the ages of 65 and 69 by $1 for each $2 of earnings in excess of the exempt limit of $8,400. The analysis, however, focuses on the effects of the earnings test in 1986, the most recent year for which data are available. In that year, the earnings limit for people aged 65 through 69 was $7,800. In addition, because the analysis is based on data from the Current Population Survey, small differences may exist between the findings of this paper and program statistics from the Social Security Administration.

PEOPLE AFFECTED BY THE EARNINGS TEST

In 1986, more than 8 million people aged 65 through 69 received or were eligible to receive Social Security benefits. (Unless otherwise stated, references are to calendar years.) This number--and all numbers in the analysis of characteristics of people affected by the earnings test--excludes people who appear to have retired during 1986, since available data do not show whether they would have been affected by the earnings test.

Almost one-fifth of potential Social Security recipients aged 65 through 69--nearly 1.6 million people--had some earnings in 1986, but only about 600,000 of them received lower benefits because of the earnings test. This affected group made up less than two-fifths of earners and less than 10 percent of all who were eligible for benefits. They were affected either by payment reductions or because they delayed applying for benefits. (Other beneficiaries may have limited their earnings in order to receive full benefits, but the data necessary to include them in the analysis are not available.)

Those affected by the earnings test were more likely than those not affected:

- to be men;
- to live with their spouses;
- to have family incomes above $32,000; and

- to have family incomes above four times the poverty threshold--that is, above about $21,000 for a single person and about $26,500 for a couple.

Only 1 percent of those affected by the earnings test had family incomes below twice the poverty threshold--that is, below about $10,500 for a single person and about $13,300 for a couple--compared with roughly one-third of all people aged 65 through 69 eligible for Social Security.

EFFECTS OF CHANGING THE EARNINGS LIMIT

This analysis examines the number and characteristics of people who would no longer incur benefit reductions if the earnings limit were raised or eliminated, as well as the increase in budgetary outlays such changes would cause. Because of limitations of the Current Population Survey data, however, the analysis does not show the amounts by which Social Security payments would rise for different groups of recipients. (While changes in benefit levels could be calculated using data from other sources, those other sources lack information on family incomes and living arrangements.) In addition, the analysis of the characteristics of people affected by modifications to the earnings test excludes both recent retirees subject to a monthly earnings test and dependents whose benefits are affected by workers' earnings; these groups are, however, included in estimates of budgetary effects.

The analysis of the characteristics of beneficiaries who would be affected by a modified earnings test does not account for any behavioral changes that might be induced by increasing the earnings limit. A higher limit might cause some Social Security beneficiaries to work more than they now do, and thus to pay additional payroll and income taxes. At the same time, some workers may elect to apply for Social Security benefits earlier than they would under the current earnings test; this would increase benefits currently paid, but reduce future benefits since fewer such workers would receive delayed retirement credits. The aggregate effect of such behavioral shifts is reflected in this study's budgetary estimates.

The analysis examines four possible changes to the earnings test:

- Raise the earnings limit to $10,000 in 1989. A comparable limit (of about $9,000) would have exempted about 85,000 people in 1986, about 14 percent of all those actually affected by the earnings test.

- Double the earnings limit to an estimated $17,280 in 1989. In this case, nearly 270,000 of those affected by the actual earnings test--45 percent--would not have been affected in 1986.

- Raise the earnings limit to $25,000 in 1989. In 1986, a comparable limit (of about $22,560) would have exempted about 375,000 people, nearly two-thirds of those affected under current law.

- Eliminate the earnings test. All 600,000 affected people would have been eligible for higher benefits.

Three conclusions stand out with respect to these four options:

- Gains would go primarily to people with high family incomes. Under each of the options, at least 72 percent of the people made exempt from the earnings test would have incomes greater than three times the poverty level--that is, greater than about $15,800 for a single person and about $19,900 for a couple.

- All four options would focus gains on men living with their spouses in families with incomes greater than four times the poverty level.

- Among those affected by the earnings test, most women, widows and widowers, and people with low family incomes would become exempt if the earnings limit were doubled. In contrast, raising the limit further or eliminating it would focus the additional gains on men, married couples, and people with high family incomes.

Federal budget outlays for Social Security would increase for each of the options over the next five years, but costs would be much higher for the larger changes. For example, raising the earnings limit to $10,000 in 1989 would increase outlays by about $1.3 billion over the 1989-1993 period, but doubling it (to $17,280 in 1989) would cost over six times as much--more than $8 billion over the five-year period. Increasing the 1989 earnings limit to $25,000 would raise outlays by nearly $11 billion over the 1989-1993 period, while eliminating it entirely would cost nearly $24 billion over the same five years.

Because estimating practices used by the Congressional Budget Office rely on a baseline macroeconomic forecast which incorporates projections of aggregate wages and employment, no revenue effects are estimated for the options to change the earnings test. However, when revenue effects have been considered--as they are in the Social Security Administration's estimates--they offset only a small portion of the additional benefit costs.

CHAPTER I
THE CURRENT EARNINGS TEST

This paper deals with two issues concerning possible changes in the Social Security earnings test for people aged 65 through 69: how selected options to raise or eliminate earnings limits would affect recipients whose benefits are currently reduced as a result of the test, and how those changes would affect federal budget outlays for Social Security. The analysis excludes all beneficiaries who retired during the year, and does not take account of possible behavioral responses to the changes. Furthermore, the paper does not consider related effects such as the simplification of administrative procedures.

Before looking at the effects of relaxing or eliminating the earnings test, it is useful to look more closely at the current earnings test and examine the characteristics of those beneficiaries it affects. Moreover, the constraints imposed on this analysis by the limitations of the available data require some explanation.

HOW THE EARNINGS TEST WORKS

In 1988, Social Security recipients aged 65 through 69 are subject to an earnings test that reduces their benefits by $1 for each $2 they earn above the exempt limit of $8,400.1/ A special monthly earnings test applies in the calendar year in which benefits are first received. If a retired worker earns more than the exempt amount, the benefits of all people receiving payments based on the worker's earnings record are subject to the reduction. Excess earnings of dependents and survivors, however, affect only their own benefits and not those of other family members.2/

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1. Beginning in 1990, people aged 65 through 69 will have their benefits reduced by $1 for every $3 in earnings in excess of the exempt limit. While this policy change will not affect which people are subject to the earnings test, for many beneficiaries it will mean higher benefits than they would otherwise get.

   Beneficiaries under age 65 are also subject to the earnings test, but the limit on earnings is lower--$6,120 in 1988. In addition, the rate of benefit reduction for these younger workers is scheduled to remain at $1 for every $2 of earnings over the exempt limit. Beneficiaries are no longer subject to the earnings test once they reach age 70.

2. The impact of the earnings test is actually somewhat more complicated than this simplified description indicates. In particular, if total family benefits are limited by the maximum family benefit, some members may be able to earn more than the exempt amount without reducing Social Security payments to the family.

Three groups of workers and their families are affected by the earnings test. The main group is Social Security beneficiaries with earnings above the relevant exempt amount. This group includes both those who get no Social Security payments because the reduction caused by the earnings test exceeds their benefit level, and those who get smaller--but still positive--benefits.

A second group includes workers who delay their application for Social Security benefits. This situation may occur because such people want or need to continue working and either expect their benefits to be fully withheld under the earnings test--and thus do not bother to apply--or do not want to have their Social Security payments reduced.3/

The third group of affected people is Social Security recipients who limit their earnings so that their benefits are not reduced. Some of these people elect not to work at all, while others work fewer hours than they would otherwise to hold their annual earnings below the exempt amounts.

Retired workers whose earnings over the exempt limit cause them to lose benefits are compensated either through the delayed retirement credit--which increases benefits by 1/4 percent for each month in which benefits are reduced--or through a reversal of the early retirement reduction.4/ If these two factors were fair on an actuarial basis, the earnings test would simply defer benefits;

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3. As discussed in the next footnote, people who have benefits withheld because of the earnings test receive future benefits that are higher than they would otherwise be. Whether or not such adjustments are actuarially fair, beneficiaries may perceive the loss of benefits through the earnings test to be permanent, and thus fail to apply for benefits.

4. Benefits are reduced by 5/9 percent for each month under age 65 that a worker is when he or she first receives Social Security old age benefits. Before the worker's 65th birthday, for each month in which benefits are withheld because of the earnings test, one month's early retirement reduction is restored. Once the worker turns 65, the delayed retirement credit increases benefits by 1/4 percent in 1988--rising to 2/3 percent for people who turn age 62 in 2005 and after--for each month in which the earnings test causes benefits to be partially or fully withheld.

higher future benefits would, on average, offset the value of reduced current benefits.5/

Analysts claim that although the early retirement reduction is approximately actuarially fair, the current delayed retirement credit is too low, so the earnings test now imposes a long-run penalty. In fact, the delayed retirement credit is slowly being raised to 2/3 percent per month for people who turn age 62 in 2005 and later years, after which it too should be close to actuarially fair. Once that is the case, the earnings test will serve only to shift the timing of benefit payments--and hence, of federal expenditures--into the future.

Any individual's experience may nevertheless be better or worse, since an actuarially fair adjustment is only fair on average. Some people will lose benefits because they die earlier than expected, while others will gain because they live longer. To the extent that there is adverse selection among those deciding to retire early or work longer--that is, people in worse health retire early and those in better health work longer--this situation is exacerbated: the less healthy early retirees may die at younger ages and thus suffer disproportionately greater losses, while the healthier late retirees may live longer and receive even greater benefits.

Another factor that influences the effects of the earnings test is the taxation of Social Security benefits for people with incomes above fixed limits. (Income is distinct from earnings: earnings are wages, salaries, and income from self-employment, and are only part of total income.) Up to half of Social Security income is taxable if the sum of one-half of Social Security and Railroad Retirement income plus all of adjusted gross income and tax-exempt interest exceeds $25,000 for single people or $32,000 for married couples filing jointly. Because those with higher incomes must pay taxes on half of their Social Security benefits, the net impact of having those benefits withheld because of the earnings test is less than it would otherwise be. Furthermore, to the extent that their incomes will be lower when their earnings drop below the earnings test limit, recipients may be subject to lower tax rates when they do receive their higher benefits in the future.

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5. This is true by definition: benefit adjustments are actuarially fair if forgone (or additional) payments today are equal, on average, to the present value of expected additional (or reduced) benefits in the future. Future benefits are adjusted even if only part of a month's payment is withheld because of the earnings test. While such adjustments somewhat overcompensate for partial withholding, this would not be expected to have a major effect on actuarial fairness.

Proponents of easing or eliminating the earnings test assert that Social Security is primarily a pension for which workers have paid through payroll taxes, and that it is unfair to penalize those who continue to work. They point to the high effective marginal tax rates on earnings for those subject to benefit reductions: in addition to the 50 percent tax imposed by the earnings test, workers with taxable incomes in the lowest tax bracket also pay 15 percent in federal income taxes and 7.51 percent in Social Security and Medicare taxes--a total marginal tax rate of more than 72 percent --plus any state and local income and payroll taxes, during the phase-out range of their Social Security benefits.6/ Besides this adverse impact on recipients, critics point to the administrative complexity which the earnings test imposes: beneficiaries are required to file annual statements of expected earnings, and the Social Security Administration must adjust payments, credit workers' records with their additional earnings, apply delayed retirement credits, and correct retroactively for over- and underpayments, all at significant expense. (The Social Security Administration estimates that retroactive correction of mispayments is required for 80 percent of people who have benefits withheld because of the earnings test.)

Proponents of retaining the current earnings test base their support on the belief that the major purpose of Social Security is to replace earnings lost as a result of retirement, death, or disability. To the extent that beneficiaries continue to have substantial earnings, they argue, there is less need for replacement and benefits should be reduced. Furthermore, they dispute the claim that Social Security is a pension, arguing that the benefit structure--paying relatively more to those with low earnings than to those with high earnings, and providing rates of return on contributions much higher than private pensions, at least for current retirees--is unlike that of pensions.

DATA AND LIMITATIONS OF THE ANALYSIS

This analysis is based on data from the March 1987 Current Population Survey (CPS), which contains information about incomes received during calendar year 1986. While this is the most recent year for which such data exist, 1986 may not provide an accurate representation of economic conditions today or in the future. In particular, the overall civilian unemployment rate in 1986 was 7.0 percent, but it is projected by the Congressional Budget Office (CBO) to be significantly lower in 1988 and subsequent years. It is uncertain how the current tight labor markets affect the employment of the elderly, but the increased availability of jobs may induce more elderly people to work. In light of these facts,

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6. In 1990, when the benefit reduction in the earnings test falls to one-third, this marginal tax rate will drop to about 56 percent, plus any state or local tax rates.

some caution is in order in using these findings to predict the future. In 1986, the exempt earnings limit for beneficiaries between the ages of 65 and 69 was $7,800.7/

Unfortunately, the limitations of these data from the CPS impose two constraints on the analysis. First, because respondents report their eligibility for Social Security only if they received payments during the year, the analysis cannot identify either those whose benefits are completely withheld because of high earnings or those who have not yet applied for benefits. Because there is little information to determine which people not reporting Social Security income are eligible to receive payments, the analysis assumes that all people aged 65 through 69 who had earnings were eligible.8/ This assumption imputed eligibility for roughly 250,000 people.

A second constraint exists because the CPS does not indicate the amount of Social Security beneficiaries would receive if their payments were not reduced by the earnings test. The amounts reported on the CPS may be before or after reductions, or they may include lump-sum adjustments--either reductions or repayments--based on Social Security actions in previous years. Because recipients' basic benefit levels are unknown, CBO cannot estimate how much individual benefits are reduced because of the earnings test. As a result, the analysis is limited to examining the characteristics of people affected by the current earnings test and of those who would no longer be affected if the earnings test limit were raised or eliminated. In addition, it is impossible to determine whether a worker's earnings in excess of the earnings limit affect benefits payable to his or her dependents; consequently, such dependents are omitted from the examination of the characteristics of people affected by the earnings test.

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7. The earnings limit is indexed to the national average of wages reported to the Social Security Administration on W-2 tax forms. Such indexing applies, however, only when the average wage rises; the law precludes any reduction in the earnings limit. Recent limits have been:

1983	$6,600	1986	$7,800
1984	$6,960	1987	$8,160
1985	$7,320	1988	$8,400

CBO projects the limit to be $8,640 in 1989 and $9,120 in 1990.

8. Some of these people might have received benefits but inaccurately reported on the CPS that they did not. This might be particularly likely in the case of dependents, for whom benefits might be lumped in with a retired worker's payments.

A third limitation on the analysis concerns changes in the behavior of beneficiaries. Because it is not known how individuals would respond if the earnings test were changed, the analysis of the characteristics of people who would be affected by modifying the test does not take account of any behavioral responses that might result. Two kinds of responses might be expected. First, some Social Security recipients might choose to change the amount they work if the exempt limit on earnings were raised. Some might work more because their effective tax rates were reduced, while others --with earnings above current limits--might work less because their Social Security payments increased. As a result, both payroll and income tax revenues could change. Second, some workers who now postpone applying for benefits because of high earnings might choose to apply earlier. This would cause an increase in benefits currently paid, but future payments would be lower than otherwise since some such workers would not receive delayed retirement credits. The effect of such responses would probably not be large, relative to the direct effects of changing the earnings test.

Because of the data limitations, the analysis is based on about 600,000 people aged 65 through 69 whose benefits were reduced or completely withheld in 1986--or who did not apply for benefits--as a result of the earnings test (see Table 1). It excludes, however, those people who appear to have retired during 1986.9/ (This exclusion was necessary because it is not possible to determine which recent retirees were affected by the earnings test; those who retire during a year are subject to a monthly earnings test in that year, and the CPS does not report monthly earnings data.) As a result, the analysis understates slightly the full impact of the earnings test on this age group.

This population group--people aged 65 through 69 eligible to receive Social Security payments, excluding recent retirees--is the basis for the analysis of characteristics of people affected by the earnings test and modifications to the test. This population is referred to as beneficiaries or insured people.

PEOPLE AFFECTED BY THE EARNINGS TEST IN 1986

Fewer than one in ten people aged 65 through 69 who are eligible for Social Security benefits is affected by the earnings test, and the characteristics of those affected are quite different from those of the average beneficiary.

As would be expected, beneficiaries with earnings above the exempt limit tend to have higher family incomes: while only about

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9. The analysis excluded Social Security beneficiaries who reported that they worked during 1986 and that they were retired in March 1987. This approach can only roughly identify recent retirees subject to the monthly earnings test.

TABLE 1. REPORTED AND IMPUTED SOCIAL SECURITY ELIGIBILITY IN 1986 OF PEOPLE AGED 65-69 WITH EARNINGS ABOVE $7,800

Population Subgroup	Number (In thousands)	Distribution of Affected People (In percent)
Annual earnings above $7,800 and reporting Social Security benefits		
Men	215	36
Women	168	28
Men and Women	383	65
Annual earnings above $7,800 and not reporting Social Security benefits		
Men	156	26
Women	55	9
Men and Women	211	35
Total		
Men	370	62
Women	223	38
Men and Women	594	100

SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

NOTE: Details may not add to totals because of rounding.

one-eighth of all beneficiaries had family incomes in 1986 above $42,000, more than 40 percent of those affected by the earnings test had incomes above that level (see Figure 1, and Table A-1 in Appendix A).10/ In contrast, nearly 40 percent of all beneficiaries had incomes below $15,000, compared with only 5 percent of people with earnings above the exempt limit. Because beneficiaries had to have more than $7,800 in income from earnings to be affected by the earnings test, those affected would almost certainly have higher total incomes than beneficiaries on average. Thus, virtually no affected people would have had extremely low incomes.

Because men are more likely both to work and to have higher earnings when they do work, they are significantly more likely to be affected by the earnings test than are women. In 1986, 11 percent of men eligible for Social Security had earnings above the exempt limit, compared with just 5 percent of women. Furthermore, among those affected by the earnings test, men tended to have higher incomes than women: more than half of affected men but just one-fourth of affected women had incomes above $42,000.

Family income does not take into consideration the varying needs due to differences in family size, and using such a measure may therefore give an inaccurate assessment of the well-being of people affected by the earnings test. An income of $20,000 might allow one person to live quite well, for instance, but would not go as far for a family of four. Poverty thresholds reflect the differential needs of families of various sizes, so measuring income relative to the appropriate poverty threshold may be a better indicator of well-being. Such a measure would indicate, for example, that a single person with an income of $10,000 would be roughly as well off as a family of four with an income of $20,000.11/

There are separate poverty thresholds for elderly and nonelderly families with one or two members. In 1986, the poverty threshold for a single person age 65 or over was $5,255, about 8 percent below the $5,701 threshold for a single person under age 65. Similarly, a two-person family headed by a person aged 65 or over had a 1986 poverty threshold of $6,630, compared with $7,372 for a younger two-person family, a difference of roughly 10 percent. Because this analysis looks only at people aged 65 through 69, the

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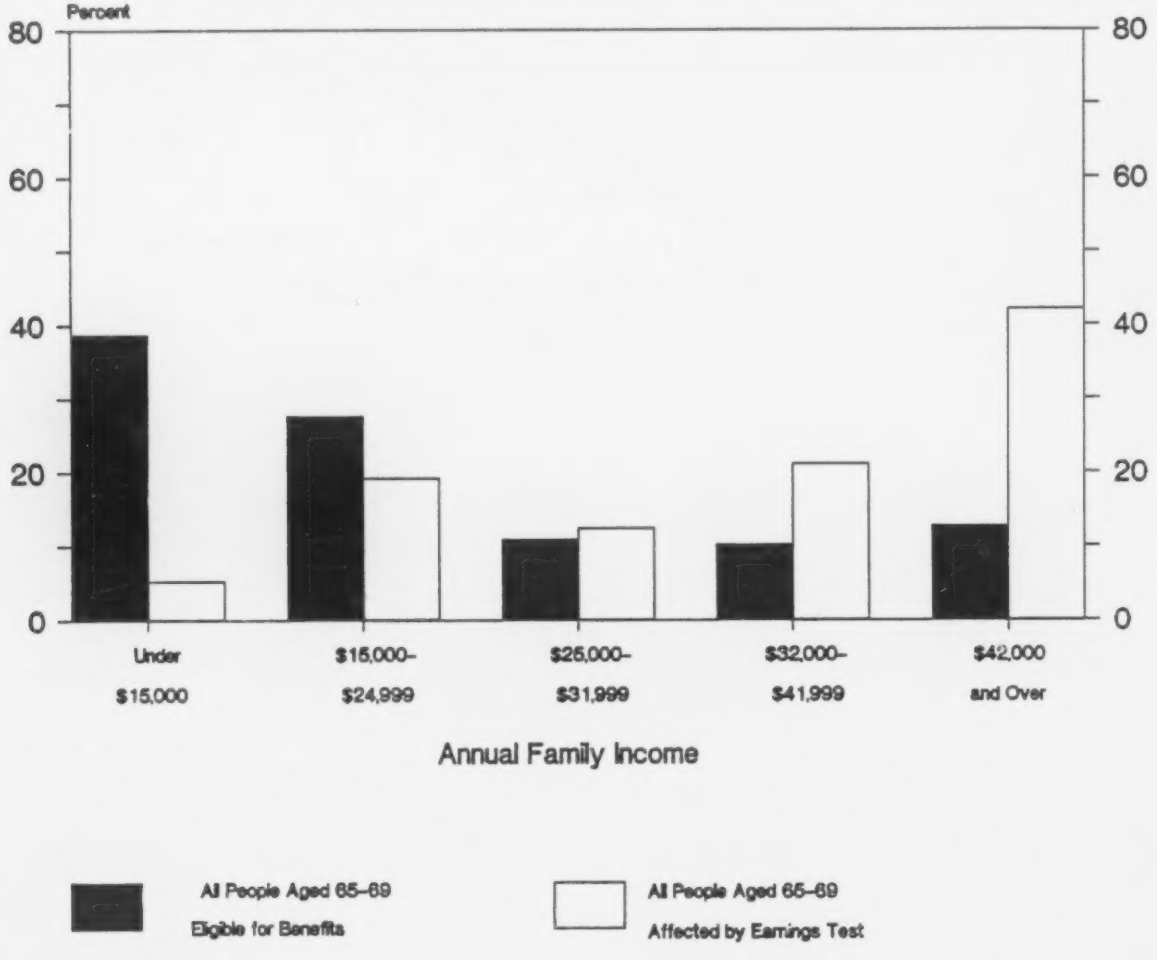
10. Appendix A provides detailed statistics on the characteristics of people aged 65 through 69 eligible for Social Security in 1986, those affected by the earnings test in 1986, and those who would not have been affected in 1986 had there been a higher or no earnings limit.

11. For a more complete discussion of this approach to measuring well-being, see Congressional Budget Office, Trends in Family Income: 1970-1986 (February 1988), pp. 5 and 6.

FIGURE 1. DISTRIBUTION IN 1986 OF PEOPLE AGED 65-69 ELIGIBLE FOR SOCIAL SECURITY BENEFITS AND AFFECTED BY THE EARNINGS TEST, BY FAMILY INCOME



SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

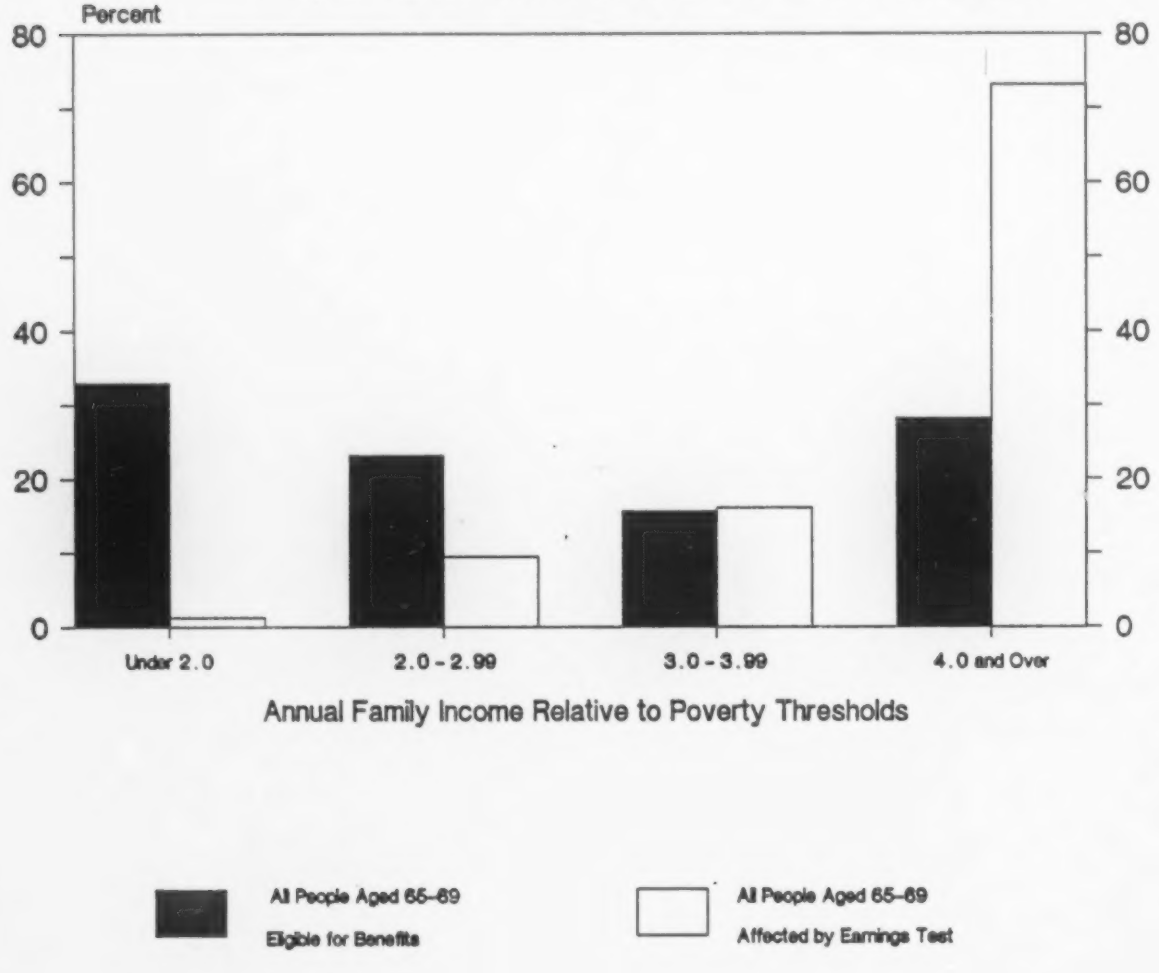
lower thresholds for the elderly are used. Poverty thresholds for families with three or more members are the same for both age groups.

Measuring income relative to poverty provides further evidence that the earnings test affects primarily those who are economically better off. In 1986, while beneficiaries with family incomes above four times the poverty threshold--that is, more than about $21,000 for people living alone and about $26,500 for couples--made up just over one-fourth of all beneficiaries, they constituted nearly three-fourths of those affected by the earnings test (see Figure 2, and Table A-2 in Appendix A). Conversely, those with incomes below twice the poverty threshold--that is, about $10,500 for single people and about $13,300 for couples--represented one-third of all beneficiaries but barely 1 percent of those with earnings above the exempt level. Again, men were better off than women: over 80 percent of affected men had family incomes more than four times the poverty threshold, compared with 60 percent of affected women.

The distribution among living arrangements of people affected by the earnings test in 1986 was generally similar to that of all beneficiaries, although this was less true for women (see Figure 3, and Table A-3 in Appendix A). Seven out of ten affected people were married, and 80 percent of those couples lived by themselves. Relative to their numbers, married women eligible for Social Security benefits were less likely to have earnings above the exempt limit than their never-married, divorced, or separated counterparts.

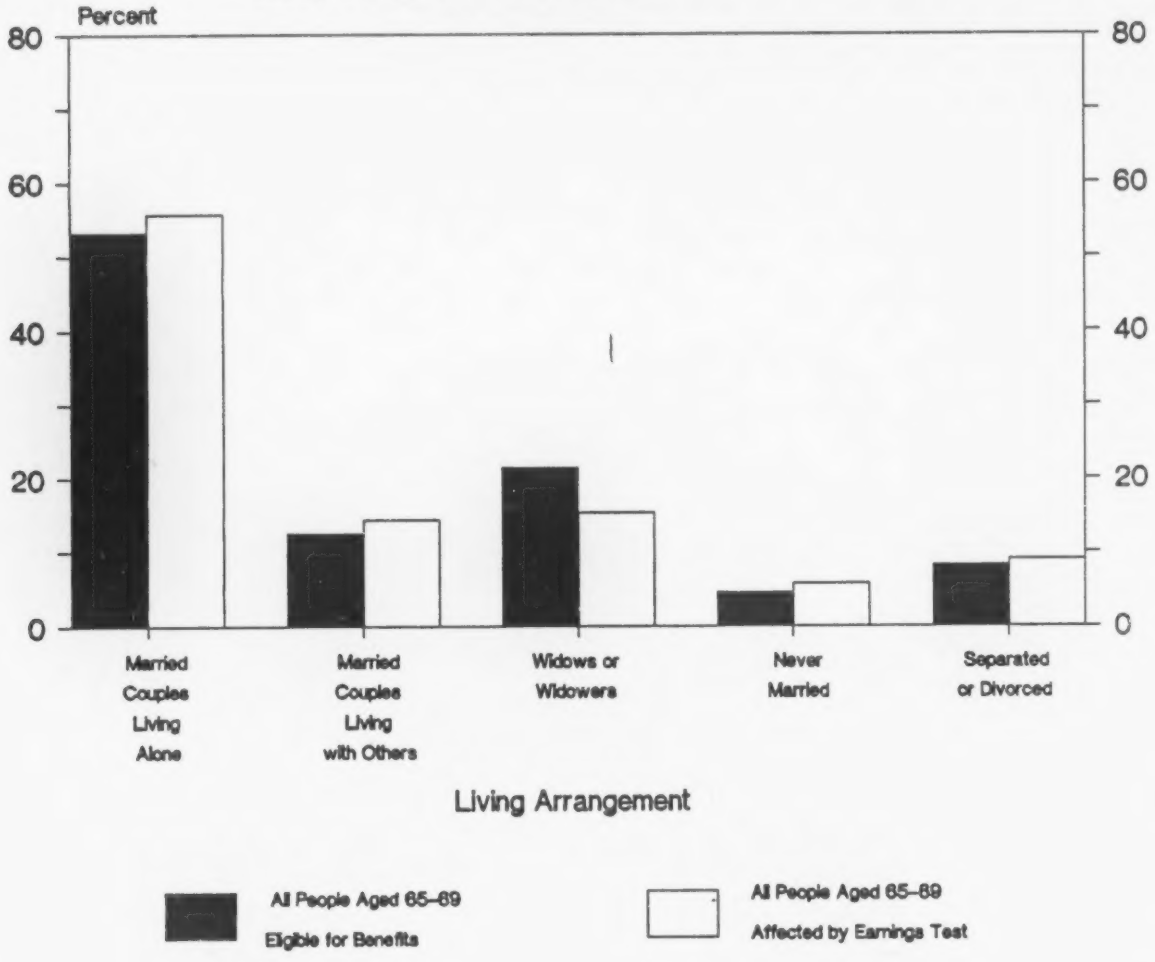
As Figure 4 shows, only 1 percent of people with family incomes below $15,000 and 5 percent of those with family incomes between $15,000 and $25,000 had their benefits reduced because of earnings. Virtually no one affected by the earnings test had a family income below twice the poverty threshold (see Figure 5).

FIGURE 2. DISTRIBUTION IN 1986 OF PEOPLE AGED 65-69 ELIGIBLE FOR SOCIAL SECURITY BENEFITS AND AFFECTED BY THE EARNINGS TEST, BY FAMILY INCOME RELATIVE TO POVERTY THRESHOLDS



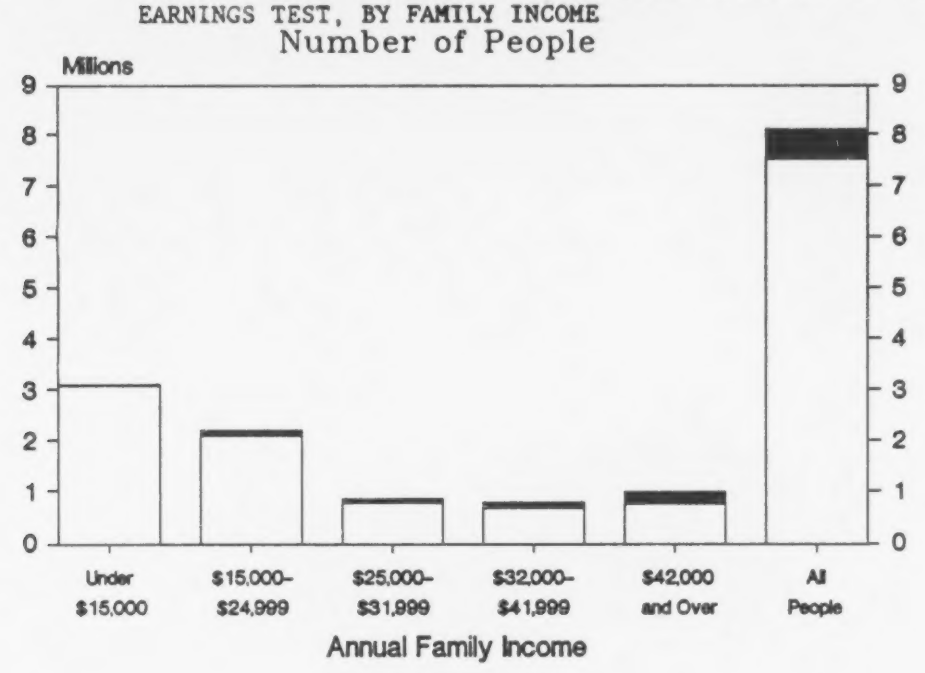
SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

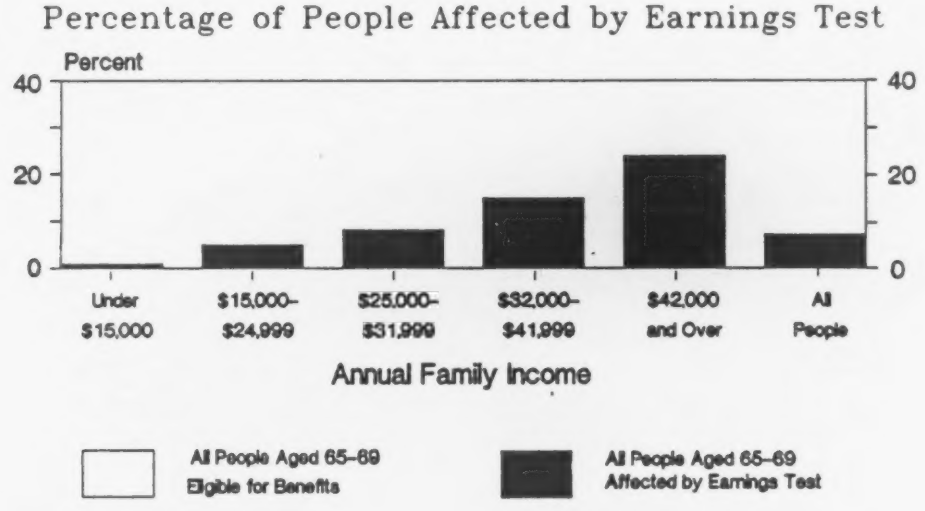
FIGURE 3. DISTRIBUTION IN 1986 OF PEOPLE AGED 65-69 ELIGIBLE FOR SOCIAL SECURITY BENEFITS AND AFFECTED BY THE EARNINGS TEST, BY LIVING ARRANGEMENT



SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

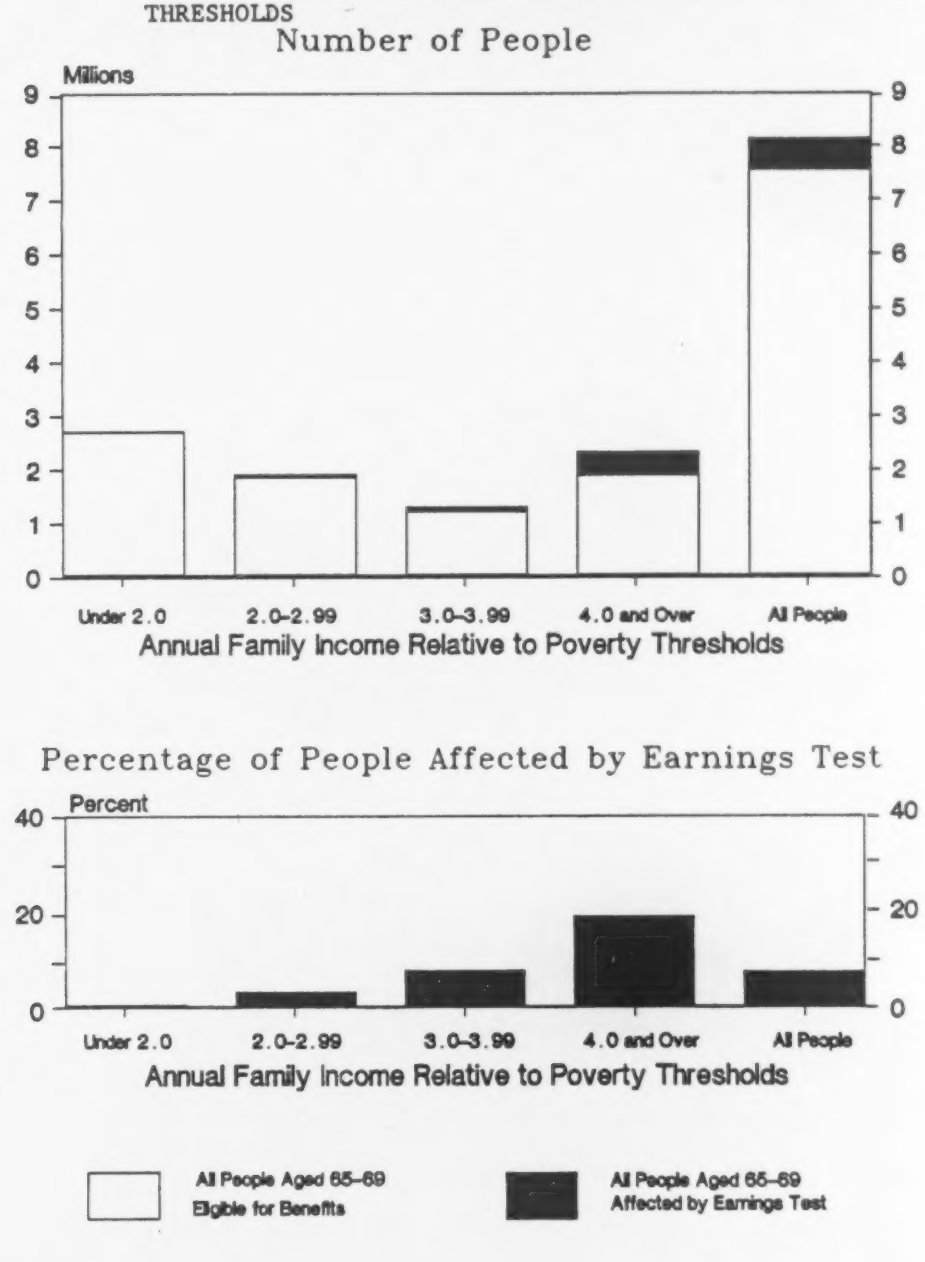
FIGURE 4. DISTRIBUTION IN 1986 OF PEOPLE AGED 65-69 ELIGIBLE FOR SOCIAL SECURITY BENEFITS AND PEOPLE AFFECTED BY THE EARNINGS TEST, BY FAMILY INCOME





SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

FIGURE 5. DISTRIBUTION IN 1986 OF PEOPLE AGED 65-69 ELIGIBLE FOR SOCIAL SECURITY BENEFITS AND PEOPLE AFFECTED BY THE EARNINGS TEST, BY FAMILY INCOME RELATIVE TO POVERTY THRESHOLDS



SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

CHAPTER II
EFFECTS OF CHANGING THE EARNINGS LIMIT

Proposals currently before the Congress would increase the Social Security earnings limit or eliminate it entirely for beneficiaries aged 65 through 69. This analysis examines four possible changes:

- Increase the earnings limit to $10,000 in 1989, thereby raising it 16 percent from the estimated $8,640 limit for 1989;
- Double the earnings limit to $17,280 in 1989;
- Raise the 1989 earnings limit to $25,000, that is, to three times the estimated limit under current law; and
- Eliminate the earnings test for people between 65 and 69 years of age.

Each of the options that would increase the exempt earnings amount would resume the current law wage indexing of the threshold in 1990.

The characteristics of people who would be affected by these options were simulated using 1986 data on incomes from the March 1987 Current Population Survey. To make the 1986 limits comparable, the 1989 limits given above were deflated based on the past and projected growth in the average wage. The equivalent limits used with the 1986 data were $9,000, $15,600, $22,560, and none, respectively.

WHICH GROUPS WOULD BE AFFECTED?

Raising the earnings limit would exempt some people who are now affected--those with earnings above the current limit but below the new limit--from benefit reductions because of the earnings test. The size of this group obviously depends on how much the earnings limit is raised: a small increase, such as in the first option, would exempt relatively few people, while eliminating the earnings test entirely would make everyone exempt. Available data on earnings identify people in this group, but the amounts by which their Social Security payments would rise cannot be determined without information on benefit levels.

Among those who would still be affected by the earnings test after the earnings limit was raised (but not eliminated), some beneficiaries would get higher payments while others would not. People with high earnings relative to their primary insurance amounts--that is, their unadjusted benefits--would be likely to have their benefits fully withheld under both the current and new earnings limits, and would thus gain nothing from an increase in the earnings limit. Others whose earnings are lower relative to their primary insurance amounts and whose benefits are now at least partly withheld could have less of their benefits withheld after the change and thus would gain.

Unfortunately, without information on primary insurance amounts, the analysis can identify only those people who would become exempt from benefit reductions as a result of a change in the earnings test. Among those beneficiaries still affected by the test, those who would gain cannot be distinguished from those who would not.1/ The remainder of the analysis therefore provides information only about those people who would no longer be affected if the earnings test were modified. If those people still affected by the earnings test could be included, the numerical results of the analysis would be different, but the qualitative results would be highly unlikely to change.

WHICH BENEFICIARIES WOULD BE MADE EXEMPT?

The analysis next focuses on the characteristics of people aged 65 through 69 who would no longer be affected by the earnings test if the exempt earnings limits were increased. Three terms are used to refer to different population groups. "Insured" people are those 65-to-69-year-olds who are eligible to receive Social Security, whether or not they actually get benefits. "Affected" people are those insured people whose benefits are partially or fully withheld because of the current earnings test; this group includes those who get no benefits and whose earnings are above the exempt limit. "Exempted" people are those affected by the current earnings test who would no longer be affected if the test were changed.

If the 1986 earnings limit had been raised from $7,800 to $9,000, 85,000 insured people aged 65 through 69--14 percent of those affected by the earnings test in 1986--would have become exempt from the earnings test and an indeterminate number of others would have received increased Social Security checks (see Figure 6, and Table A-4 in Appendix A). Doubling the limit to $15,600 would have exempted more than three times as many people--nearly 270,000 or 45 percent of those affected by the earnings test. A still larger increase to $22,560 would have reduced the number of people affected by the earnings test by almost two-thirds, or about 375,000. Of course, eliminating the earnings test would have exempted all 600,000 people whose benefits were reduced or fully withheld in 1986 because of excess earnings.

Small increases in the earnings limit would exempt a large fraction of affected beneficiaries in low-income families, but would leave most people with higher family incomes still affected by the earnings test (see Figure 7). About half of affected people in

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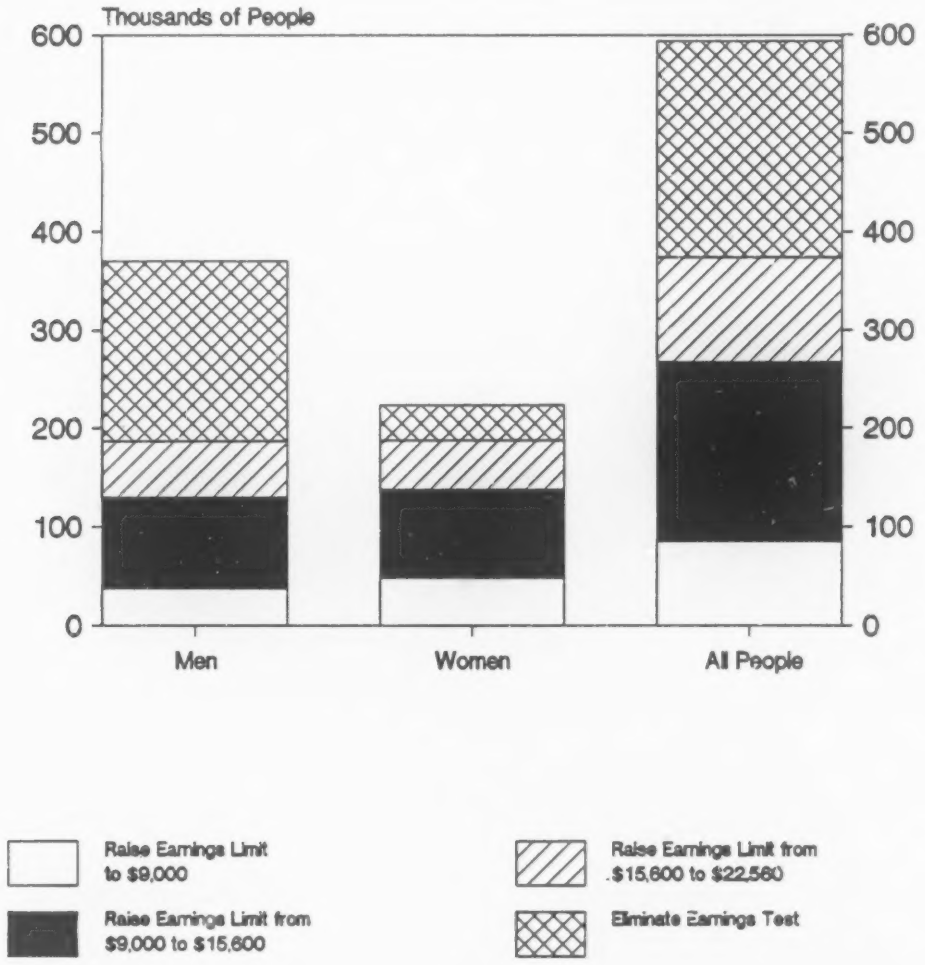
1. Without information on individual Social Security benefit levels before the earnings test is applied, the analysis cannot determine either the amount by which individual Social Security payments would rise if earnings limits were increased or the earnings levels of individuals at which benefits would become fully withheld.

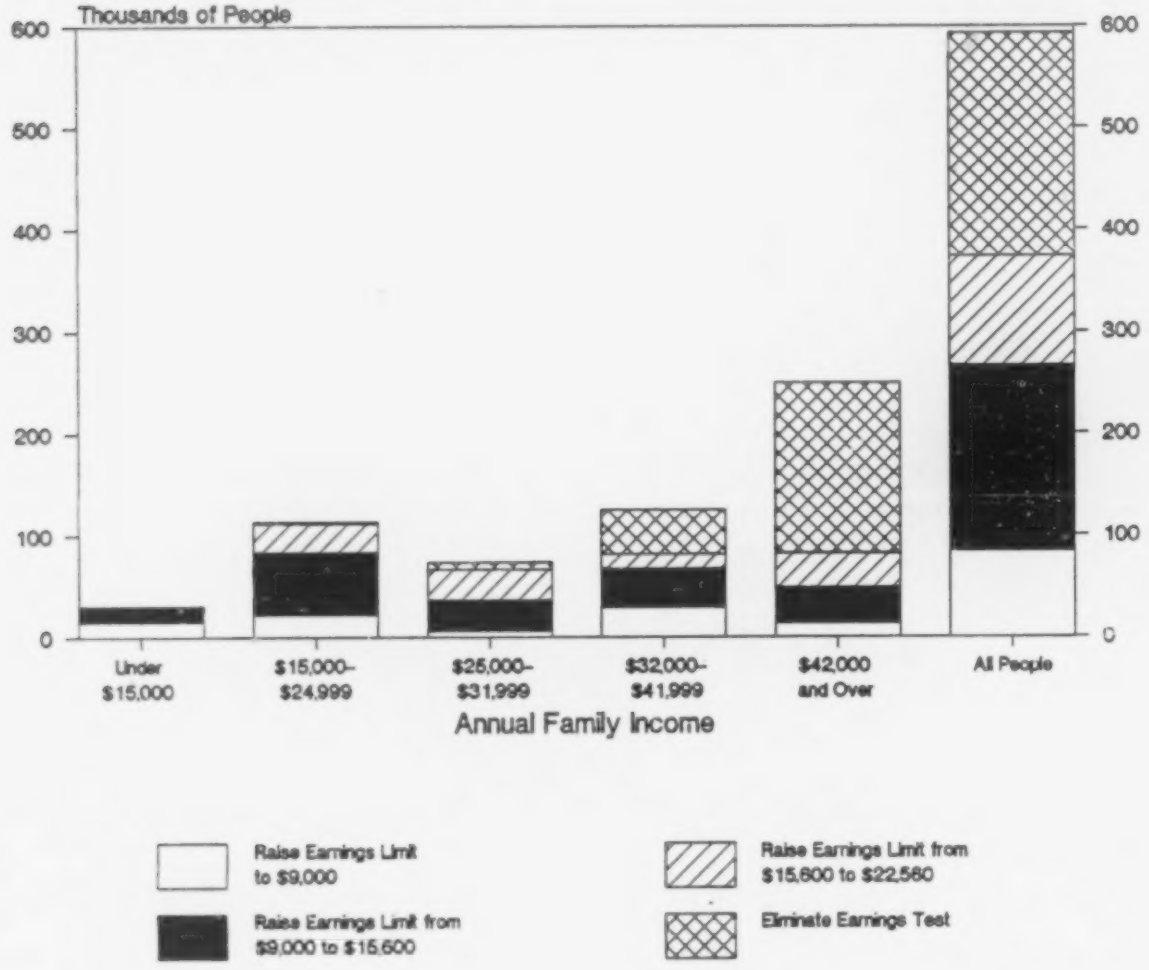
FIGURE 6. PEOPLE AGED 65-69 NO LONGER AFFECTED BY THE EARNINGS TEST IN 1986 AS A RESULT OF SELECTED CHANGES, BY SEX



SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

NOTE: The effects of changing the earnings test shown in the figure are cumulative. For example, the number of people made exempt by doubling the earnings limit equals the number exempted by raising the limit to $9,000--the unshaded box--plus the incremental group exempted when the limit is further raised to $15,600--the black box.

FIGURE 7. PEOPLE AGED 65-69 NO LONGER AFFECTED BY THE EARNINGS TEST IN 1986 AS A RESULT OF SELECTED CHANGES, BY FAMILY INCOME



SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

NOTE: The effects of changing the earnings test shown in the figure are cumulative. For example, the number of people made exempt by doubling the earnings limit equals the number exempted by raising the limit to $9,000--the unshaded box--plus the incremental group exempted when the limit is further raised to $15,600--the black box.

families with annual incomes below $15,000 would not have been subject to benefit reductions if the earnings limit had been $9,000 in 1986. In contrast, such a change would have exempted only about 5 percent of affected people with family incomes above $42,000. Even if the earnings limit had been tripled, fully two-thirds of people with incomes in that top category would have been affected by the earnings test in 1986.

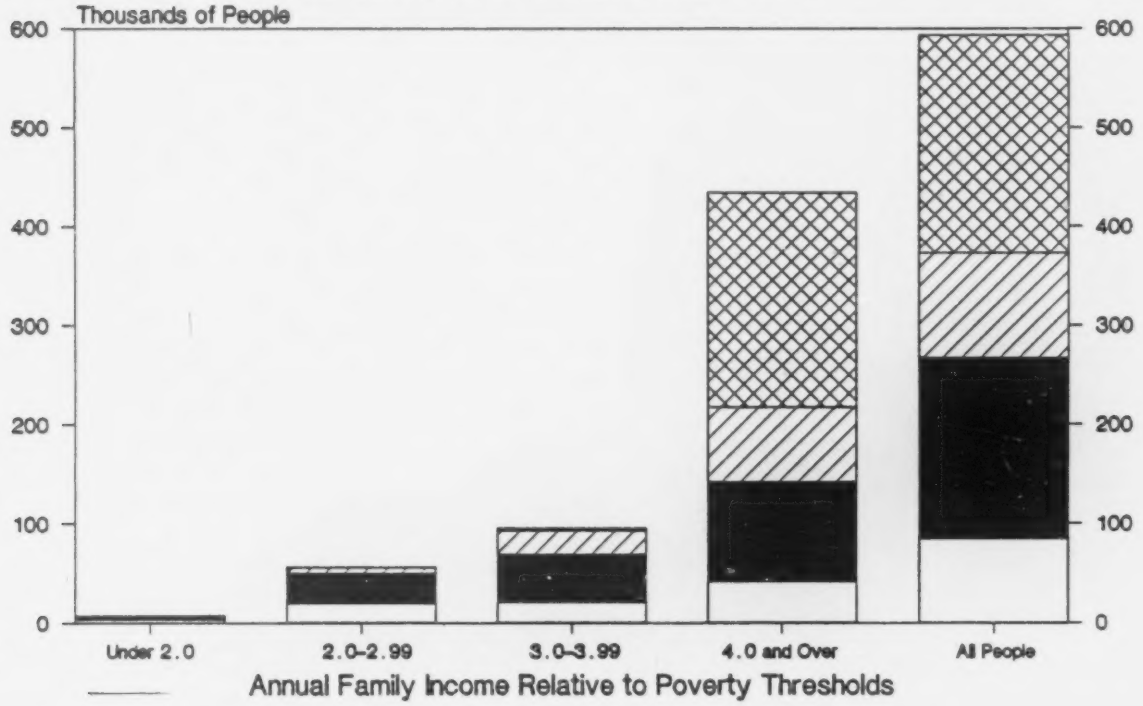
That smaller changes have significant effects on low-income beneficiaries is even more apparent when income is measured relative to poverty thresholds (see Figure 8). A doubling of the earnings limit in 1986 would have exempted virtually all people with family incomes below three times the poverty threshold, but left about two-thirds of those with incomes above four times the poverty threshold subject to benefit reductions. Furthermore, because widows and widowers and women who have never married tend to have lower incomes than people in other living arrangements, smaller changes in the earnings limit exempt relatively more widows and widowers and never-married women (see Figure 9).

Examining the distribution across recipient groups of those who would be made exempt by each of the four options both supplements and reinforces this picture. Smaller increases in the earnings limit would have relatively greater effects on people with low family incomes than would larger increases, but none of the changes examined would have much impact on low-income beneficiaries in general (see Figure 10, and Table A-5 in Appendix A). For example, nearly 20 percent of those who would have been exempt if the 1986 earnings limit had been $9,000 had incomes below $15,000, even though just 5 percent of all affected beneficiaries had incomes at that level. The data also imply, however, that even under the smallest increase in the earnings limit, only a small fraction of those made exempt would have low incomes: less than half would be in families with incomes below $25,000. A similar pattern appears when income is measured relative to the poverty thresholds (see Figure 11, and Table A-6 in Appendix A).

Raising the earnings limit to $9,000 in 1986 would have meant that a disproportionate share of the exempted population would have been widows or widowers, or people who had never married (see Figure 12, and Table A-7 in Appendix A). To a large extent, this reflects the relative distribution of earnings among people with different living arrangements. For example, while they constituted 22 percent of insured people and 15 percent of affected people in 1986, widows and widowers would have made up 27 percent of those exempted by changing to a $9,000 limit. In contrast, higher or no earnings limits would have meant that larger shares of those exempted would have been married couples.

An examination of men and women separately across living arrangements and income levels reinforces the preceding observations. Appendix B provides information about the distributions--by all

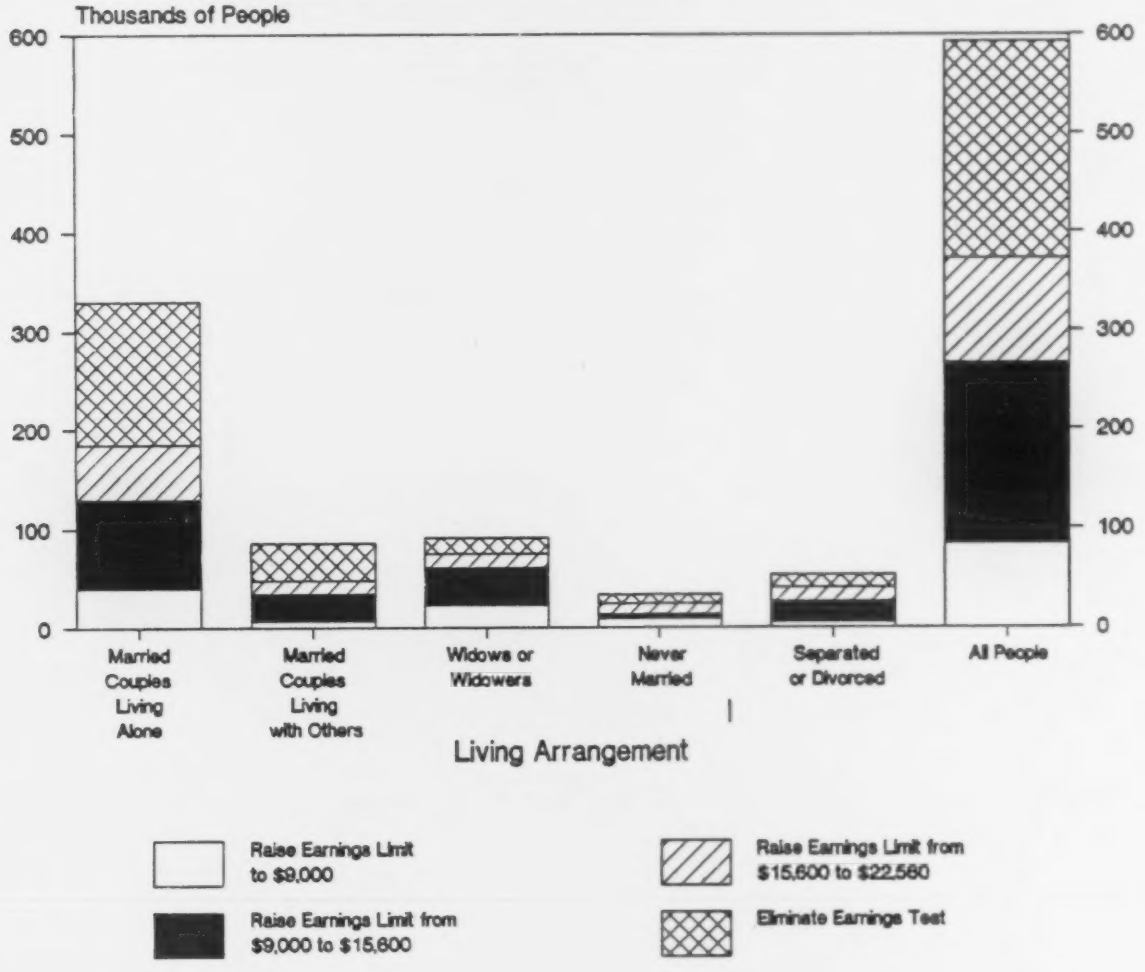
FIGURE 8. PEOPLE AGED 65-69 NO LONGER AFFECTED BY THE EARNINGS TEST IN 1986 AS A RESULT OF SELECTED CHANGES, BY FAMILY INCOME RELATIVE TO POVERTY THRESHOLDS



SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

NOTE: The effects of changing the earnings test shown in the figure are cumulative. For example, the number of people made exempt by doubling the earnings limit equals the number exempted by raising the limit to $9,000--the unshaded box--plus the incremental group exempted when the limit is further raised to $15,600--the black box.

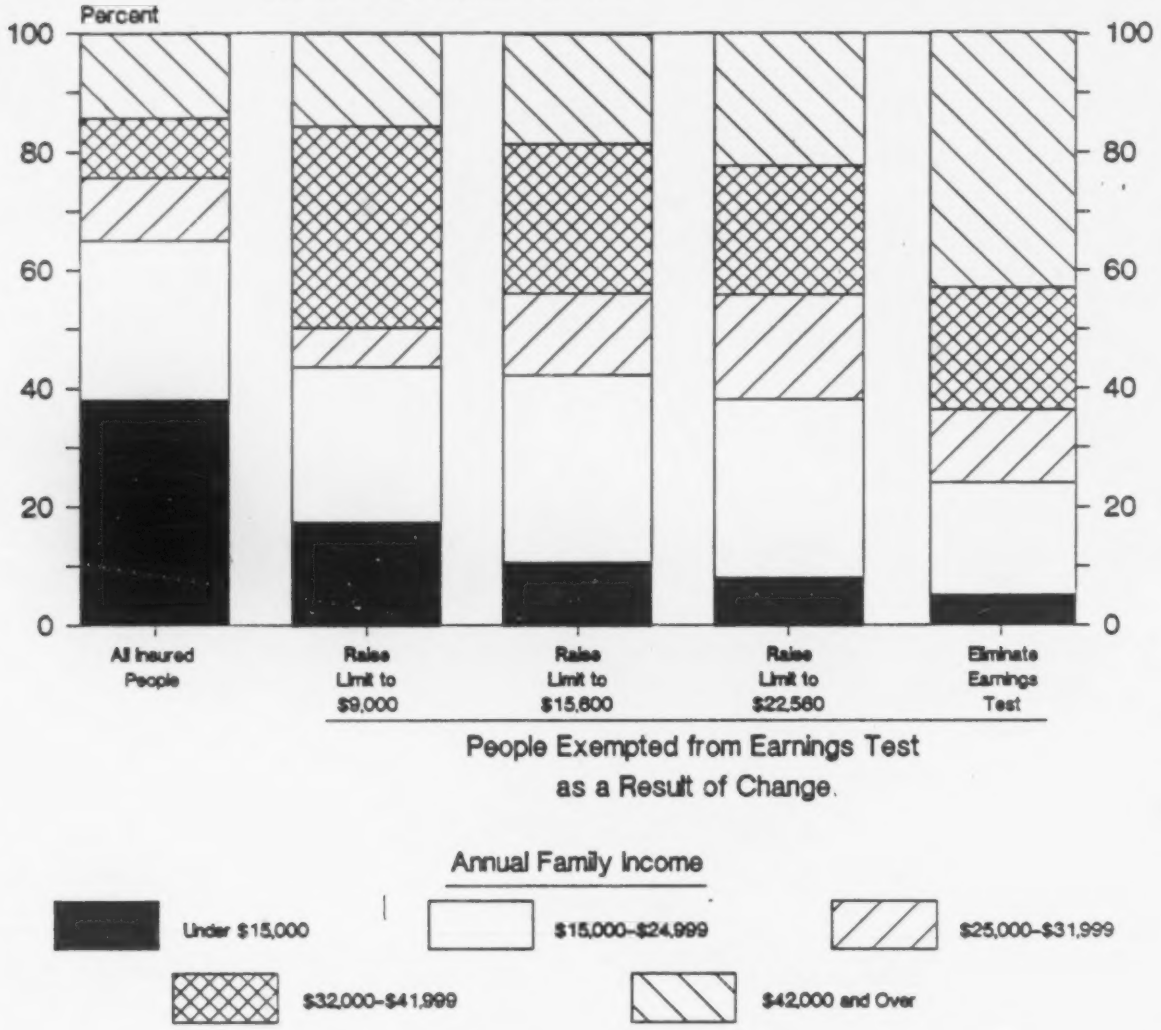
FIGURE 9. PEOPLE AGED 65-69 NO LONGER AFFECTED BY THE EARNINGS TEST IN 1986 AS A RESULT OF SELECTED CHANGES, BY LIVING ARRANGEMENT



SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

NOTE: The effects of changing the earnings test shown in the figure are cumulative. For example, the number of people made exempt by doubling the earnings limit equals the number exempted by raising the limit to $9,000--the unshaded box--plus the incremental group exempted when the limit is further raised to $15,600--the black box.

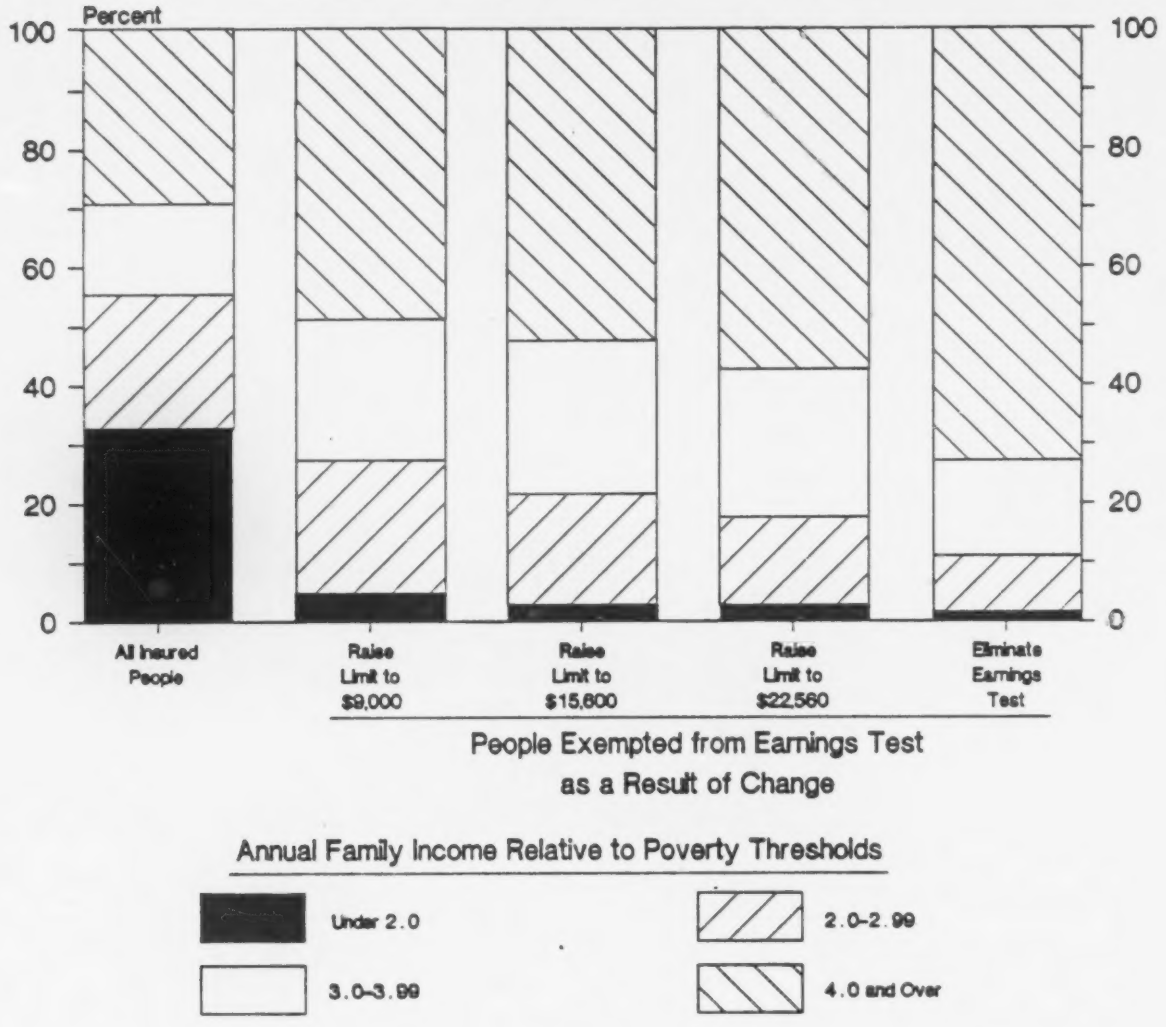
FIGURE 10. DISTRIBUTION IN 1986 OF PEOPLE AGED 65-69 NO LONGER AFFECTED BY THE EARNINGS TEST AS A RESULT OF SELECTED CHANGES, BY FAMILY INCOME



SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

NOTE: The distribution of people no longer affected if the earnings test was eliminated is the same as the distribution of all people affected by the earnings test.

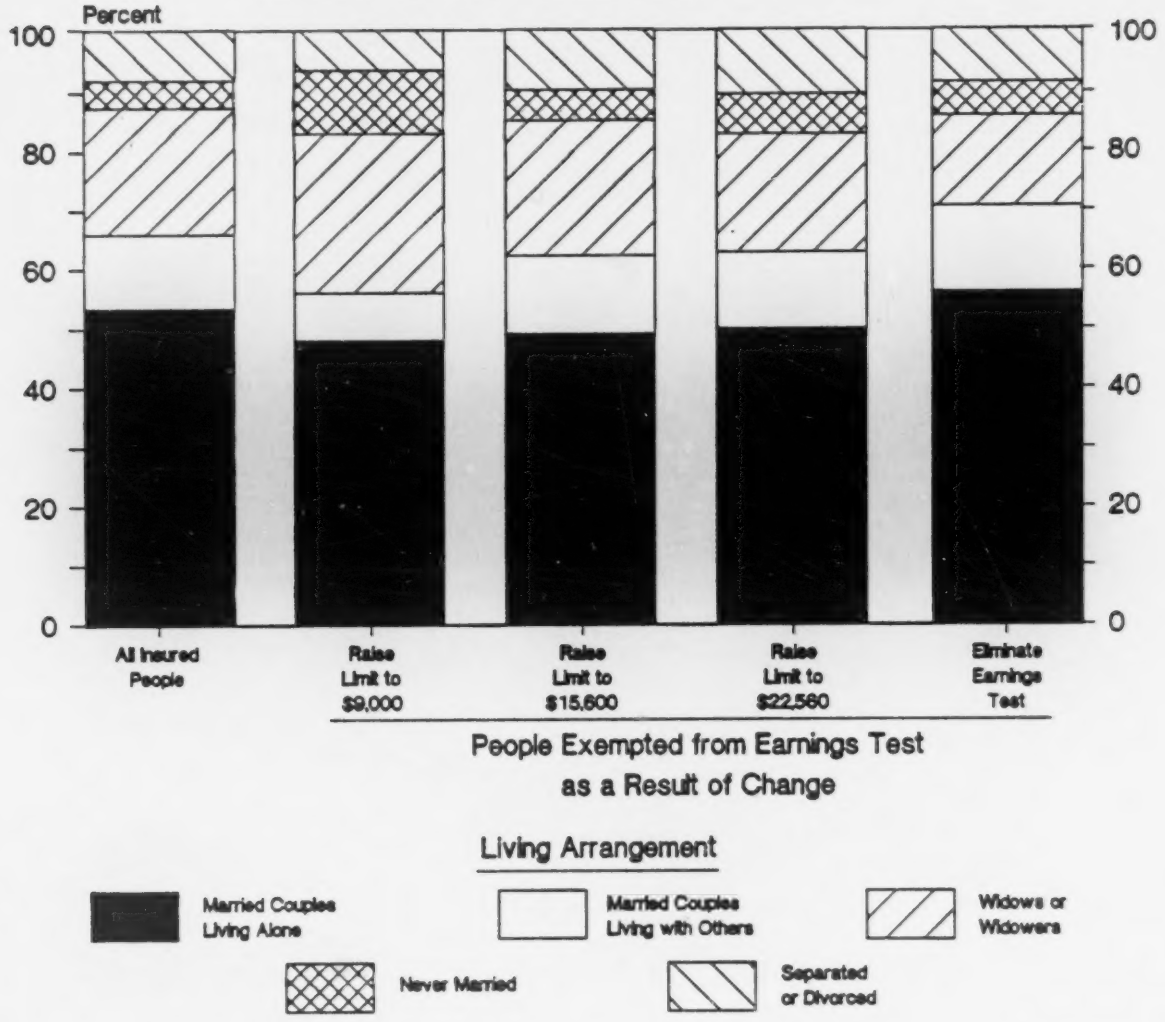
FIGURE 11. DISTRIBUTION IN 1986 OF PEOPLE AGED 65-69 NO LONGER AFFECTED BY THE EARNINGS TEST AS A RESULT OF SELECTED CHANGES, BY FAMILY INCOME RELATIVE TO POVERTY THRESHOLDS



SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

NOTE: The distribution of people no longer affected if the earnings test was eliminated is the same as the distribution of all people affected by the earnings test.

FIGURE 12. DISTRIBUTION IN 1986 OF PEOPLE AGED 65-69 NO LONGER AFFECTED BY THE EARNINGS TEST AS A RESULT OF SELECTED CHANGES, BY LIVING ARRANGEMENT



SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

NOTE: The distribution of people no longer affected if the earnings test was eliminated is the same as the distribution of all people affected by the earnings test.

combinations of sex, family income relative to poverty thresholds, and living arrangement--of the entire eligible population aged 65 through 69, as well as the groups who would have been exempt from the earnings test in 1986 under each of the options for change. Relative to all insured people (see Table B-1), those who would be made exempt by any of the four changes are less likely to have incomes below twice the poverty threshold and more likely to have incomes above four times the poverty threshold, regardless of living arrangement.

At the same time, the smaller of the four changes would focus gains--in terms of the number of people exempted--on women, widows, and those with low incomes. Again, this finding results primarily from the distribution of earnings among groups: women, widows, and people in low-income families are more likely to have low earnings. For example, about 11 percent of people exempted by the smallest change--from $7,800 to $9,000--in the earnings limit in 1986 would have been widows with family incomes below three times the poverty threshold, even though they made up just 3.5 percent of the affected group. Conversely, about 17 percent of people exempted by the smallest change would have been married couples living alone with incomes above four times the poverty threshold, a group that made up roughly 34 percent of all affected people in the 65-69 age group.

These findings can only describe people who would no longer have any benefit reductions because of the earnings test. The amounts by which individual benefits would rise cannot be established. Moreover, it is clear that significant gains would also accrue to people whose benefits would still be partially reduced. Finally, this part of the analysis omits any behavioral responses of people who might choose to work more or to begin receiving benefits earlier if the earnings test limit were raised.

EFFECTS ON FEDERAL OUTLAYS

Each of the options for relaxing or eliminating the earnings test would result in higher Social Security expenditures over the projection period. Unlike the analysis provided elsewhere in this paper, these estimates incorporate certain behavioral responses to changes in the earnings test. The response most important for the budget estimates provided here is the effect these changes may have on applications for cash benefits by those who currently delay applying for benefits because of the earnings test.

Table 2 displays the effects on federal outlays of the four options discussed in this paper for altering or eliminating the earnings test for those aged 65 through 69. Raising the earnings limit to $10,000 in 1989 would increase outlays by about $1.3 billion during the 1989-1993 period, while doubling it--to $17,280 in 1989--would cost more than $8 billion over the same five-year period, about six times as much. If the 1989 earnings limit were raised to $25,000, outlays would increase by about $11 billion for

TABLE 2. EFFECTS ON OUTLAYS OF OPTIONS FOR CHANGING THE SOCIAL SECURITY EARNINGS TEST, 1989-1993 (By fiscal year, in billions of dollars)

Option	1989	1990	1991	1992	1993	Total, 1989-1993
Raise 1989 earnings limit to $10,000 for people aged 65 through 69	0.2	0.3	0.3	0.3	0.3	1.3
Double 1989 earnings limit to $17,280 for people aged 65 through 69	1.2	1.7	1.7	1.7	1.8	8.2
Increase 1989 earnings limit to $25,000 for people aged 65 through 69	1.7	2.4	2.3	2.3	2.3	11.0
Eliminate earnings test for people aged 65 through 69	3.7	5.1	5.0	5.0	5.1	23.9

SOURCE: Congressional Budget Office estimates.

NOTE: Estimates assume implementation of each option on January 1, 1989, and incorporate the effects of additional applications for Social Security benefits.

Details may not add to totals because of rounding.

the 1989-1993 period. Eliminating the earnings test entirely would be by far the most expensive option, costing nearly $24 billion between 1989 and 1993.

Information from the Social Security Administration's (SSA) Office of the Actuary indicates that between 600,000 and 700,000 retired workers aged 65 through 69 have filed for benefits and have some or all of their benefits withheld under the earnings test. In addition, the SSA estimates that 120,000 workers in this age range who have earnings in excess of the exempt amount have not filed for benefits for which they would be eligible if there were no earnings test. The elimination of the earnings test is assumed to induce 90 percent of these workers to file applications for cash benefits. In addition to the retired worker beneficiaries, the SSA estimates that about 150,000 to 200,000 survivors, spouses, and children would receive extra benefits. In total, 900,000 to 1,000,000 persons would be expected to receive additional benefits under a proposal to eliminate the earnings test for the 65-69 age group.

Estimates of outlays resulting from the increases in the exempt amounts are derived from the outlay estimates for the elimination of the test and from the expected changes in who would receive benefits described above. Analysis by the SSA's Office of the Actuary indicates that a tripling of the exempt earnings level would cost slightly less than one-half as much as eliminating the earnings test, while doubling the threshold would generate about one-third of the costs.

Many proponents of relaxing or eliminating the earnings test view these proposals as a mechanism that would encourage the elderly to work more. While the potential effects of the proposed changes could theoretically cause the work of older beneficiaries to increase, decrease, or remain about the same, changes in the labor supply would have a negligible effect on federal outlays, but could raise federal income and payroll tax revenues slightly. For example, the SSA's estimates for eliminating the earnings test assume that new revenues would offset 10 percent to 15 percent of the additional outlays. While most of the increased revenue would come from the income taxes paid on the additional benefit payments, a portion would be the higher payroll and income taxes resulting from increased work by beneficiaries. Under estimating practices used by the Congressional Budget Office, however, the budgetary effects of legislative proposals rely on a baseline macroeconomic forecast, which incorporates projections of aggregate wages and employment. Because this baseline forecast does not allow for employment changes resulting from legislative options, no revenue effects are estimated for the proposed changes in the earnings test.

APPENDIX A

EFFECTS OF CHANGES IN THE SOCIAL SECURITY EARNINGS TEST, BY FAMILY INCOME, BY INCOME RELATIVE TO POVERTY THRESHOLDS, AND BY LIVING ARRANGEMENT, 1986

TABLE A-1. DISTRIBUTION IN 1986 OF PEOPLE AGED 65-69 ELIGIBLE TO RECEIVE SOCIAL SECURITY BENEFITS, BY FAMILY INCOME AND EARNINGS (In percent)

Annual Family Income	Entire Group	With No Earnings	Earnings Under Limit	Earnings Over Limit
		Men		
Under $10,000	18	21	13	1
$10,000-14,999	16	18	19	2
$15,000-24,999	28	30	33	14
$25,000-31,999	11	11	11	12
$32,000-41,999	12	11	10	20
$42,000-49,999	4	4	3	9
$50,000-74,999	7	5	7	21
$75,000 and Over	4	1	3	23
All Incomes	100	100	100	100
		Women		
Under $10,000	26	28	21	a/
$10,000-14,999	17	16	21	10
$15,000-24,999	27	26	32	28
$25,000-31,999	11	11	10	14
$32,000-41,999	9	8	8	23
$42,000-49,999	3	3	3	4
$50,000-74,999	5	5	4	14
$75,000 and Over	2	2	1	8
All Incomes	100	100	100	100
		Men and Women		
Under $10,000	22	25	18	a/
$10,000-14,999	17	17	20	5
$15,000-24,999	28	28	32	19
$25,000-31,999	11	11	10	12
$32,000-41,999	10	9	9	21
$42,000-49,999	4	3	3	7
$50,000-74,999	6	5	6	18
$75,000 and Over	3	2	2	17
All Incomes	100	100	100	100

SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

NOTES: Details may not add to totals because of rounding.
Income is distinct from earnings: earnings are wages, salaries, and income from self-employment, and are only part of total income.

a. Less than 0.5 percent.

TABLE A-2. DISTRIBUTION IN 1986 OF PEOPLE AGED 65-69 ELIGIBLE TO RECEIVE SOCIAL SECURITY BENEFITS, BY FAMILY INCOME RELATIVE TO POVERTY THRESHOLDS AND EARNINGS (In percent)

Family Income Relative to Poverty Thresholds	Entire Group	With No Earnings	Earnings Under Limit	Earnings Over Limit
		Men		
Under 1.0	7	9	5	1
1.0-1.49	11	13	9	a/
1.5-1.99	11	12	13	a/
2.0-2.99	24	26	25	6
3.0-3.99	16	15	20	12
4.0 and Over	31	25	28	81
All Ratios	100	100	100	100
		Women		
Under 1.0	11	12	6	a/
1.0-1.49	13	14	11	a/
1.5-1.99	12	12	14	1
2.0-2.99	23	23	27	16
3.0-3.99	16	15	19	23
4.0 and Over	26	25	22	60
All Ratios	100	100	100	100
		Men and Women		
Under 1.0	9	11	6	a/
1.0-1.49	12	13	10	a/
1.5-1.99	12	12	14	1
2.0-2.99	23	24	26	10
3.0-3.99	16	15	20	16
4.0 and Over	28	25	25	73
All Ratios	100	100	100	100

SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

NOTES: Details may not add to totals because of rounding.
Income is distinct from earnings: earnings are wages, salaries, and income from self-employment, and are only part of total income.

a. Less than 0.5 percent.

TABLE A-3. DISTRIBUTION IN 1986 OF PEOPLE AGED 65-69 ELIGIBLE TO RECEIVE SOCIAL SECURITY BENEFITS, BY LIVING ARRANGEMENT AND EARNINGS (In percent)

Living Arrangement	Entire Group	With No Earnings	Earnings Under Limit	Earnings Over Limit
		Men		
Married Couples a/				
Living alone	61	61	56	65
With others	18	17	24	20
Widows/Widowers	8	9	7	5
Never Married	5	5	4	4
Separated/Divorced	8	8	8	6
All Arrangements	100	100	100	100
		Women		
Married Couples a/				
Living alone	48	50	35	41
With others	8	9	5	5
Widows/Widowers	31	30	43	32
Never Married	4	4	5	9
Separated/Divorced	8	8	12	14
All Arrangements	100	100	100	100
		Men and Women		
Married Couples				
Living alone	53	54	44	56
With others	12	12	14	14
Widows/Widowers	21	21	27	15
Never Married	5	5	4	6
Separated/Divorced	8	8	10	9
All Arrangements	100	100	100	100

SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

NOTES: Details may not add to totals because of rounding.
Income is distinct from earnings: earnings are wages, salaries, and income from self-employment, and are only part of total income.

a. Distributions of men and women in married couples are not the same because some married couples in the 65-69 age category have one spouse not between the ages of 65 and 69.

TABLE A-4. NUMBER OF PEOPLE AGED 65-69 AFFECTED IN 1986 BY THE SOCIAL SECURITY EARNINGS TEST WHO WOULD NOT HAVE BEEN AFFECTED UNDER ALTERNATIVE EARNINGS LIMITS (In thousands)

Population Group	Earnings Limit Raised To: $9,000	$15,600	$22,560	Earnings Test Eliminated a/
Men	37	130	187	370
Women	48	138	188	223
Men and Women	85	267	374	594

SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

NOTES: Details may not add to totals because of rounding.
Income is distinct from earnings: earnings are wages, salaries, and income from self-employment, and are only part of total income.

a. This column is the same as the total number of people affected in 1986 by the earnings test.

TABLE A-5. DISTRIBUTION IN 1986 OF PEOPLE AGED 65-69 ELIGIBLE TO RECEIVE SOCIAL SECURITY BENEFITS AND THOSE WHO WOULD NOT HAVE BEEN AFFECTED UNDER ALTERNATIVE EARNINGS LIMITS, BY FAMILY INCOME (In percent)

Annual Family Income	Eligible for Benefits	Exempt from Earnings Test When Earnings Limit Raised To: $9,000	$15,600	$22,560	Earnings Test Eliminated
		Men			
Under $15,000	15	3	2	2	1
$15,000-24,999	12	7	13	13	9
$25,000-31,999	5	7	11	11	7
$32,000-41,999	5	21	14	12	13
$42,000-49,999	2	3	3	4	5
$50,000-74,999	3	4	6	7	13
$75,000 and Over	2	a/	a/	1	14
All Income Levels	43	44	49	50	62
		Women			
Under $15,000	24	15	9	6	4
$15,000-24,999	15	19	19	17	11
$25,000-31,999	6	a/	3	7	5
$32,000-41,999	5	13	11	9	9
$42,000-49,999	2	2	3	2	1
$50,000-74,999	3	4	4	6	5
$75,000 and Over	1	3	3	2	3
All Income Levels	57	56	51	50	38
		Men and Women			
Under $15,000	39	18	11	8	5
$15,000-24,999	28	26	32	30	19
$25,000-31,999	11	7	14	18	12
$32,000-41,999	10	34	25	22	21
$42,000-49,999	4	4	6	6	7
$50,000-74,999	6	8	10	13	18
$75,000 and Over	3	3	3	4	17
All Income Levels	100	100	100	100	100

SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

NOTES: Details may not add to totals because of rounding.
Income is distinct from earnings: earnings are wages, salaries, and income from self-employment, and are only part of total income.

a. Less than 0.5 percent.

TABLE A-6. DISTRIBUTION IN 1986 OF PEOPLE AGED 65-69 ELIGIBLE TO RECEIVE SOCIAL SECURITY BENEFITS AND THOSE WHO WOULD NOT HAVE BEEN AFFECTED UNDER ALTERNATIVE EARNINGS LIMITS, BY FAMILY INCOME RELATIVE TO POVERTY THRESHOLDS (In percent)

Family Income Relative to Poverty Thresholds	Eligible for Benefits	Exempt from Earnings Test When: Earnings Limit Raised To: $9,000	$15,600	$22,560	Earnings Test Eliminated
		Men			
Under 1.0	3	a/	a/	1	a/
1.0-1.99	10	a/	1	1	a/
2.0-2.99	10	5	6	6	4
3.0-3.99	7	9	12	11	7
4.0 and Over	13	30	30	32	51
All Income Levels	43	44	49	50	62
		Women			
Under 1.0	6	a/	a/	a/	a/
1.0-1.99	14	4	1	1	1
2.0-2.99	13	18	13	9	6
3.0-3.99	9	16	14	14	9
4.0 and Over	15	19	23	26	23
All Income Levels	57	56	51	50	38
		Men and Women			
Under 1.0	9	a/	a/	1	a/
1.0-1.99	24	4	2	1	1
2.0-2.99	23	23	19	15	10
3.0-3.99	16	24	26	25	16
4.0 and Over	28	48	53	58	73
All Income Levels	100	100	100	100	100

SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

NOTES: Details may not add to totals because of rounding.
Income is distinct from earnings: earnings are wages, salaries, and income from self-employment, and are only part of total income.

a. Less than 0.5 percent.

TABLE A-7. DISTRIBUTION IN 1986 OF PEOPLE AGED 65-69 ELIGIBLE TO RECEIVE SOCIAL SECURITY BENEFITS AND THOSE WHO WOULD NOT HAVE BEEN AFFECTED UNDER ALTERNATIVE EARNINGS LIMITS, BY LIVING ARRANGEMENT (In percent)

Living Arrangement	Eligible for Benefits	Exempt from Earnings Test When: Earnings Limit Raised To: $9,000	$15,600	$22,560	Earnings Test Eliminated
		Men			
Married Couples [a]					
Living alone	26	25	28	28	40
With others	8	8	10	11	13
Widows/Widowers					
Living alone	2	4	1	2	1
With others	2	[b]	2	1	2
Never Married	2	7	3	3	2
Separated/Divorced	3	1	4	5	4
All Families	43	44	49	50	62
		Women			
Married Couples [a]					
Living alone	27	23	21	21	15
With others	5	[b]	3	2	2
Widows/Widowers					
Living alone	13	12	12	11	8
With others	5	11	8	6	4
Never Married	2	4	2	4	3
Separated/Divorced	5	6	6	6	5
All Families	57	56	51	50	38
		Men and Women			**Men**
Married Couples					
Living alone	53	48	49	49	56
With others	12	8	13	13	14
Widows/Widowers					
Living alone	15	16	14	13	9
With others	7	11	9	7	6
Never Married	5	11	5	7	6
Separated/Divorced	8	7	10	11	9
All Families	100	100	100	100	100

SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

NOTES: Details may not add to totals because of rounding.
Income is distinct from earnings: earnings are wages and salaries, and are only part of total income.

a. Distributions of men and women in married couples are not the same because some married couples in the 65-69 age category have one spouse not between the ages of 65 and 69.

b. Less than 0.5 percent.

APPENDIX B

EFFECTS OF CHANGES IN THE SOCIAL SECURITY EARNINGS TEST, BY LIVING ARRANGEMENT AND INCOME RELATIVE TO POVERTY THRESHOLDS, 1986

TABLE B-1. DISTRIBUTION IN 1986 OF PEOPLE AGED 65-69 ELIGIBLE FOR SOCIAL SECURITY, BY LIVING ARRANGEMENT AND FAMILY INCOME RELATIVE TO POVERTY THRESHOLDS (In percent)

Living Arrangement	Family Income Relative to Poverty Thresholds: Under 1.0	1.0-1.99	2.0-2.99	3.0-3.99	4.0 and Over	All Income Levels
Men						
Married Couples [a]						
Living alone	1	5	7	4	9	26
With others	1	2	2	1	2	8
Widows/Widowers						
Living alone	[b]	1	[b]	[b]	[b]	2
With others	[b]	[b]	[b]	[b]	[b]	2
Never Married	[b]	1	[b]	[b]	1	2
Separated/Divorced	1	1	1	[b]	[b]	3
All Families	3	10	10	7	13	43
Women						
Married Couples [a]						
Living alone	1	5	7	5	9	27
With others	[b]	1	1	1	2	5
Widows/Widowers						
Living alone	3	5	3	2	1	13
With others	1	1	1	1	1	5
Never Married	[b]	1	[b]	[b]	1	2
Separated/Divorced	1	2	1	1	1	5
All Families	6	14	13	9	15	57
Men and Women						
Married Couples						
Living alone	2	10	13	9	19	53
With others	1	2	3	2	4	12
Widows/Widowers						
Living alone	3	5	3	2	2	15
With others	1	2	2	1	2	7
Never Married	[b]	1	1	1	1	5
Separated/Divorced	2	3	1	1	1	8
All Families	9	24	23	16	28	100

SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

NOTE: Details may not add to totals because of rounding.

a. Distributions of men and women in married couples are not the same because some married couples in the 65-69 age category have one spouse not between the ages of 65 and 69.

b. Less than 0.5 percent.

TABLE B-2. DISTRIBUTION IN 1986 OF PEOPLE AGED 65-69 MADE EXEMPT FROM THE EARNINGS TEST BY RAISING THE EARNINGS LIMIT FROM $7,800 TO $9,000, BY LIVING ARRANGEMENT AND FAMILY INCOME RELATIVE TO POVERTY THRESHOLDS (In percent)

Living Arrangement	Family Income Relative to Poverty Thresholds					
	Under 1.0	1.0-1.99	2.0-2.99	3.0-3.99	4.0 and Over	All Income Levels
Men						
Married Couples [a]						
Living alone	[b]	[b]	3	4	17	25
With others	[b]	[b]	[b]	4	4	8
Widows/Widowers						
Living alone	[b]	[b]	[b]	[b]	3	4
With others	[b]	[b]	[b]	[b]	[b]	[b]
Never Married	[b]	[b]	1	[b]	5	7
Separated/Divorced	[b]	[b]	1	[b]	[b]	1
All Families	[b]	[b]	5	9	30	44
Women						
Married Couples [a]						
Living alone	[b]	[b]	3	6	14	23
With others	[b]	[b]	[b]	[b]	[b]	[b]
Widows/Widowers						
Living alone	[b]	[b]	7	5	[b]	12
With others	[b]	4	[b]	4	3	11
Never Married	[b]	[b]	2	[b]	1	4
Separated/Divorced	[b]	[b]	6	1	[b]	6
All Families	[b]	4	18	16	19	56
Men and Women						
Married Couples						
Living alone	[b]	[b]	6	10	31	48
With others	[b]	[b]	[b]	4	4	8
Widows/Widowers						
Living alone	[b]	[b]	7	6	3	16
With others	[b]	4	[b]	4	3	11
Never Married	[b]	[b]	4	[b]	7	11
Separated/Divorced	[b]	[b]	6	1	[b]	7
All Families	[b]	4	23	24	48	100

SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

NOTES: Details may not add to totals because of rounding.
Income is distinct from earnings: earnings are wages, salaries, and income from self-employment, and are only part of total income.

a. Distributions of men and women in married couples are not the same because some married couples in the 65-69 age category have one spouse not between the ages of 65 and 69.

b. Less than 0.5 percent.

TABLE B-3. DISTRIBUTION IN 1986 OF PEOPLE AGED 65-69 MADE EXEMPT FROM THE EARNINGS TEST BY RAISING THE EARNINGS LIMIT FROM $7,800 TO $15,600, BY LIVING ARRANGEMENT AND FAMILY INCOME RELATIVE TO POVERTY THRESHOLDS (In percent)

Living Arrangement	Family Income Relative to Poverty Thresholds: Under 1.0	1.0-1.99	2.0-2.99	3.0-3.99	4.0 and Over	All Income Levels
Men						
Married Couples [a]						
Living alone	[b]	[b]	2	8	18	28
With others	[b]	1	1	4	5	10
Widows/Widowers						
Living alone	[b]	[b]	[b]	[b]	1	1
With others	[b]	[b]	[b]	[b]	2	2
Never Married	[b]	[b]	1	[b]	2	3
Separated/Divorced	[b]	[b]	1	[b]	3	4
All Families	[b]	1	6	12	30	49
Women						
Married Couples [a]						
Living alone	[b]	[b]	3	4	14	21
With others	[b]	[b]	[b]	[b]	3	3
Widows/Widowers						
Living alone	[b]	[b]	5	6	1	12
With others	[b]	1	1	1	4	8
Never Married	[b]	[b]	1	[b]	1	2
Separated/Divorced	[b]	[b]	3	2	1	6
All Families	[b]	1	13	14	23	51
Men and Women						
Married Couples						
Living alone	[b]	[b]	5	12	32	49
With others	[b]	1	1	4	7	13
Widows/Widowers						
Living alone	[b]	[b]	5	6	2	14
With others	[b]	1	1	1	6	9
Never Married	[b]	[b]	2	[b]	3	5
Separated/Divorced	[b]	[b]	4	3	4	10
All Families	[b]	2	19	26	53	100

SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

NOTES: Details may not add to totals because of rounding.
Income is distinct from earnings: earnings are wages, salaries, and income from self-employment, and are only part of total income.

a. Distributions of men and women in married couples are not the same because some married couples in the 65-69 age category have one spouse not between the ages of 65 and 69.

b. Less than 0.5 percent.

TABLE B-4. DISTRIBUTION IN 1986 OF PEOPLE AGED 65-69 MADE EXEMPT FROM THE EARNINGS TEST BY RAISING THE EARNINGS LIMIT FROM $7,800 TO $22,560, BY LIVING ARRANGEMENT AND FAMILY INCOME RELATIVE TO POVERTY THRESHOLDS (In percent)

Living Arrangement	Family Income Relative to Poverty Thresholds: Under 1.0	1.0-1.99	2.0-2.99	3.0-3.99	4.0 and Over	All Income Levels
Men						
Married Couples a/						
Living alone	b/	b/	3	7	18	28
With others	1	1	1	4	5	11
Widows/Widowers						
Living alone	b/	b/	b/	b/	1	2
With others	b/	b/	b/	b/	1	1
Never Married	b/	b/	1	b/	2	3
Separated/Divorced	b/	b/	1	b/	4	5
All Families	1	1	6	11	32	50
Women						
Married Couples a/						
Living alone	b/	b/	2	4	15	21
With others	b/	b/	b/	b/	2	2
Widows/Widowers						
Living alone	b/	b/	4	6	1	11
With others	b/	1	1	1	3	6
Never Married	b/	b/	1	b/	3	4
Separated/Divorced	b/	b/	2	2	2	6
All Families	b/	1	9	14	26	50
Men and Women						
Married Couples						
Living alone	b/	b/	5	11	33	49
With others	1	1	1	4	7	13
Widows/Widowers						
Living alone	b/	b/	4	6	3	13
With others	b/	1	1	1	5	7
Never Married	b/	b/	1	b/	5	7
Separated/Divorced	b/	b/	3	3	6	11
All Families	1	1	15	25	58	100

SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

NOTES: Details may not add to totals because of rounding.
Income is distinct from earnings: earnings are wages, salaries, and income from self-employment, and are only part of total income.

a. Distributions of men and women in married couples are not the same because some married couples in the 65-69 age category have one spouse not between the ages of 65 and 69.

b. Less than 0.5 percent.

TABLE B-5. DISTRIBUTION IN 1986 OF PEOPLE AGED 65-69 MADE EXEMPT BY ELIMINATING THE EARNINGS TEST, BY LIVING ARRANGEMENT AND FAMILY INCOME RELATIVE TO POVERTY THRESHOLDS (In percent)

Living Arrangement	Family Income Relative to Poverty Thresholds: Under 1.0	1.0-1.99	2.0-2.99	3.0-3.99	4.0 and Over	All Income Levels
Men						
Married Couples [a]						
Living alone	[b]	[b]	2	5	34	40
With others	[b]	[b]	1	2	9	13
Widows/Widowers						
Living alone	[b]	[b]	[b]	[b]	1	1
With others	[b]	[b]	[b]	[b]	2	2
Never Married	[b]	[b]	1	[b]	2	2
Separated/Divorced	[b]	[b]	1	[b]	3	4
All Families	[b]	[b]	4	7	51	62
Women						
Married Couples [a]						
Living alone	[b]	[b]	1	3	11	15
With others	[b]	[b]	[b]	[b]	2	2
Widows/Widowers						
Living alone	[b]	[b]	2	4	2	8
With others	[b]	1	1	1	3	4
Never Married	[b]	[b]	[b]	[b]	3	3
Separated/Divorced	[b]	[b]	1	1	2	5
All Families	[b]	1	6	9	23	38
Men and Women						
Married Couples						
Living alone	[b]	[b]	3	8	45	56
With others	[b]	[b]	1	2	11	14
Widows/Widowers						
Living alone	[b]	[b]	2	4	3	9
With others	[b]	1	1	1	4	6
Never Married	[b]	[b]	1	[b]	5	6
Separated/Divorced	[b]	[b]	2	2	6	9
All Families	[b]	1	10	16	73	100

SOURCE: Congressional Budget Office tabulations of data from the March 1987 Current Population Survey.

NOTES: Details may not add to totals because of rounding.
Income is distinct from earnings: earnings are wages, salaries, and income from self-employment, and are only part of total income.

a. Distributions of men and women in married couples are not the same because some married couples in the 65-69 age category have one spouse not between the ages of 65 and 69.

b. Less than 0.5 percent.